

**Transmission Workgroup
Minutes
Thursday 06 October 2011
ELEXON, 350 Euston Road, London NW1 3AW**

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Charles Ruffell	(CR)	RWE npower
Chris Wright	(CW)	Centrica
Colin Thomson	(CT)	Scotia Gas Networks
Fergus Healy	(FH)	National Grid NTS
Gerry Hoggan	(GH)	ScottishPower
Graham Jack	(GJ)	Centrica
Jacopo Vignola	(JV)	Centrica Storage
Jeff Chandler	(JC)	SSE
Julie Cox	(JCx)	AEP
Lewis Hodgart	(LH)	Ofgem
Matthew Hatch	(MH)	National Grid NTS
Natasha Ranatunga	(NR)	Ofgem
Nick Wye	(NW)	Waters Wye Associates
Phil Broom	(PB)	GDF Suez
Phil Hobbins	(PH)	National Grid NTS
Richard Fairholme	(RF)	E.ON UK
Richard Jones	(RJ)	Xoserve
Rob Cameron-Higgs	(RCH)	Wales & West Utilities
Steve Pownall	(SP)	National Grid NTS
Tom Purchase	(TP)	National Grid NTS

1. Introduction

Copies of all papers are available at www.gasgovernance.co.uk/tx/061011.

TD welcomed attendees to the meeting.

1.1 Review of Minutes and Actions of Previous Meeting (01 September 2011)

1.1.1 Review of Minutes

The minutes of the meeting were accepted.

1.1.2 Review of Outstanding Actions

Action TR0801: Transporters to provide links to business plans for circulation or publication to the industry.

Update: The link is www.talkingnetworkstx.com

Closed

1.2 Review of Live Modifications not covered elsewhere on the agenda

The Modifications Register is at: www.gasgovernance.co.uk/mods.

Of specific note were:

0363V and 0338 – Legal text is under preparation ready for issuing to consultation.

0381 – Panel will decide whether this self governance modification should be implemented.

0393 – The next Workgroup meeting will take place on 03 November 2011.

1.3 Industry Updates

LH reported on recent Ofgem activities:

- **Assessment of RIOT1 business plans** – Publication is expected at the end of October.
- **TPCR4 rollover** - Consultation closed on 12 September 2011. Ofgem will review responses and publish final proposals in November 2011.
- **Section 23 Notice of modification of National Grid Gas' GT licence published on 12 September 2011.** The Modification proposes to add a new exit point – 'Hilltop (Hole House Farm)' – to NGG's licence. Consultation closes on 10 October 2011.
- **National Grid Gas System Operator Incentives from April 2012 – Update letter published on 23 September 2011.** In response to the forthcoming change in the licence modification process Ofgem has taken the opportunity to reassess the process for implementing the gas SO incentives. Ofgem is holding a stakeholder workshop on the afternoon of 12 October 2011 to give interested parties an opportunity to comment on its initial views on proposals for the incentives. Ofgem will consider NGG's and stakeholders' views in developing its final proposals. It will consider written submissions by stakeholders received on or before Friday 21 October 2011, and it will publish its Final Proposals along with the proposed licence changes in December 2011.

JCx expressed concern that no prior information/detail for the meeting was available, especially as written submissions were due in shortly after 21 October. LH noted these concerns.

Responding to a question from SP, LH indicated that the generic revenue driver consultation would be published in the next couple of weeks; this would be followed by one relating to the South East.

- **Project TransmiT – Electricity transmission charging Significant Code Review update.** A letter was published on 09 September 2011 announcing an extension to the project timescale to give the technical working group and other stakeholders an opportunity to consider and comment on the outcomes of the extended scope of the modelling.

Ofgem now expects to consult on potential options for the **TNUoS** change in December 2011, and make its final recommendations, along with any direction to NGET if appropriate, under the SCR in spring 2012. Implementation of any change, would therefore be after April 2012, the

potential implementation date Ofgem identified previously.

1.4 European Developments

PH and MH gave a number of presentations to update the Workgroup on European developments.

1.4.1 Gas Balancing Framework Guidelines

Delayed by the ACER Board of Regulators, publishing of a final version is now expected in mid-October. An update will be given at the November Workgroup.

1.4.2 Moffat PRF Market Consultation

The consultation closed out on 30 September 2011; responses are being assessed and an update will be provided to the November Workgroup.

1.4.3 Gas Quality Harmonisation - Cost Benefit Analysis

PH outlined the scope of the Report, the assumptions made, the key conclusions, and National Grid's response to the findings. It was noted that a number of EU countries have already voluntarily adopted the EASEE-gas specification at their border points. National Grid agreed with the Report's conclusion that the proposed harmonisation of Europe's gas quality specifications would not deliver a net benefit, and PH expanded briefly on the key concerns. The final report and recommendations were expected by the end of 2011.

Noting that the initial conclusions had not been well received following a presentation to the Madrid Forum, JCx added that regional harmonisation had now been suggested and that further data was being requested to better inform that potential approach.

1.4.4 Interoperability Framework Guideline

PH drew attention to the issues identified, National Grid's response, and potential next steps.

TD pointed out that the UNC would have to assimilate changes adopted as a result of interoperability discussions and agreements. PH responded that National Grid NTS would raise modifications as appropriate.

1.4.5 European Updates Timetable

The programme of updates to be given to the Transmission Workgroup over the next few months is detailed below:

Topic	Workgroup Date
<ul style="list-style-type: none"> • Moffat PRF Consultation Update on responses • Gas Balancing Framework Guidelines overview 	03 November 2011
<ul style="list-style-type: none"> • Regional Investment Plan Update 	01 December 2011
<ul style="list-style-type: none"> • To be confirmed 	05 January 2012

1.4.6 Capacity Allocation Mechanism (CAM)

MH presented an overview of the ACER Framework Guidelines and an update on ENTSOG CAM progress. Attention was drawn to the changes made to the previous version. The expectation is that the final EU code is to be published in January 2012. Key CAM documents can be accessed at:

www.entsog.eu/publications/index_g_cam.html.

MH pointed out that in principle it will be similar to the GB Entry arrangements. However, there would be impacts to current arrangements, although the Guidelines were applicable to Interconnection Points only.

Moving on to highlight impacts to the GB regime, from a Governance perspective the 3rd package Code development and changes will be made by the comitology process. It was recognised that comitology timelines may not be appropriate for changes and a lighter change process required consideration, eg a handbook approach, which would make changes easier rather than having to go through a comitology process each time an amendment was required. MH indicated that questions were being raised and clarity sought regarding the UNC Code change process and implementation timescales, etc.

There would be different rules for Interconnection Points (IPs). It was questioned whether the UNC should differentiate between IPs/Non IPs, or should there be a separate IP Code? MH indicated that further work needed to be undertaken to consider options.

Attention was drawn to the existence of a Sunset Clause. Within 5 years of the Code coming into force Users will need to agree the split of contracts either side of the IP to combine (ie bundle) capacity. ENTSOG will provide a default rule if capacity is not otherwise bundled. It was questioned, did this affect capacity bookings (as these were already carried out via a transparent auction process)?

Another major aspect under consideration was mandatory bundling. This would have to be in place in 5 years, with primary and secondary capacity via bundled products. There would be no opportunity to book/trade at flange either side. Currently capacity is sold in aggregate at an ASEP. Bundling was applicable to IPs only (e.g. Bacton). There may be an effect on current bookings out to 2025 and on the Licence Baselines for the ASEP. There would also be implications to interconnector operators relating to Article 22 exemptions (third party access exemptions) and how this will fit in with the regime. Interconnector issues were still being debated and discussed; from a GB perspective whether Interconnectors are considered to be TOs in their own right is not clear at present.

Changes would be required to the Enduring Exit regime to incorporate auctions. The potential auction design itself would be different to the GB entry auction process, and would offer available capacity only and no incremental (however CEER Workplan 2012 will be looking at the incremental aspect). There were differing Stakeholders' views on key draft Code principles in relation to long and medium term products.

MH illustrated and explained the standard products and timescales; although the concept was similar to the current GB regime relating to entry there were differences in the detail design. Some illustrated maps highlighted the diverse views apparent across Europe.

JCx remarked on the notable absence of response from Eastern Europe, and pointed out that this could give rise to concerns that the comitology process could be derailed. MH responded that ENTSOG were encouraging the Eastern European countries to actively participate.

In respect of interruptible services, there was no obligation to bundle the interruptible products, only to align interruptible services across the interconnection points, with a minimum obligation for day ahead (where firm was sold out).

Other aspects under consideration included the incentive regime, interoperability, and CMP.

Other 3rd Package Code interactions were still being reviewed. NW questioned the status of the Framework Guideline and whether it was binding.

MH indicated there were concerns relating to implementation timelines – 9 months was very challenging, and it was not clear if additional time was allowed for IT systems changes. Joint EU platforms or separate IT Systems will be directed in the ACER Framework Guidelines. JCx pointed out that Gas Day changes could have wide-ranging impacts. MH responded that initial discussions had taken place with Xoserve and IS about this.

Confirming that GB engagement via forums has commenced, and the process for CAM and subsequent code developments is still open, MH encouraged other parties to get involved.

TD added that the 3rd Package was an agenda item at this month's UNC Modification Panel and that Ofgem would be presenting.

2. Workgroups

The following individual Workgroup meetings took place:

2.1 0373 – Governance of NTS connection processes

Minutes for this meeting are at www.gasgovernance.co.uk/0373/061011.

2.2 0376/A – Increased choice when Applying for NTS Exit Capacity

Minutes for this meeting are at www.gasgovernance.co.uk/0376/061011.

3. Issues

3.1 Review of System Alerts - Update

A further meeting will take place at 11:00 on Tuesday 11 October 2011 at 31 Homer Road, Solihull B91 3LT.

3.2 Review of Safety Monitors – Update

TD confirmed that a notice was issued this week relating to revised Monitors.

3.3 Force Majeure and Payment of Exit Charges

JC gave a presentation outlining the background to the issue recently experienced relating to force majeure. Following a force majeure incident that has resulted in the cessation of flows for a minimum of 3 weeks, a power station will have no firm exit capacity available for that period but will have to pay exit capacity charges for the first seven days. It had been noted that there was a difference of seven days before reimbursement of capacity charges for force majeure events between Entry and Exit, and it was questioned if this was equitable.

FH referred to Modification 0262, which had been an attempt to standardise regimes; Exit terms were deemed to be reasonable at the time. FH pointed out that in Entry reimbursement is from Day 5, so there is only a two-day mismatch. RF referred to the concept of 'Entering into an Agreement' and if this could be applied it may weaken any subsequent court case to recover costs. At the conclusion of this discussion JC confirmed that he was not expecting to raise a modification in the immediate future. RCH stated that Wales & West Utilities had rejected the force majeure notice; the current position was unclear. FH confirmed that the force majeure had been lifted.

Attention was then brought to a side issue that had arisen from this experience – JC reported that initial attempts by National Grid to issue fax notifications relating to the incident were unsuccessful and caused SSE to question the reliability of using faxes as a communication method. More timely, efficient and effective communication may be achieved through email or text messages. Views were sought on the use of various communication methods.

TD pointed out that historically communications were issued by fax for reasons of security and the provision of audit trails, etc. FH added that Surefax details can be checked. PH believed that the legal requirements for UNC communications are in TPD Section V. Given the recent experience, JC reiterated that he would be looking for some form of change for emergency and force majeure communications.

It was suggested that a modification could be raised to address changes to communication methods. RCH reported that Northern Gas Networks has a modification already under development to resolve some perceived issues relating to communications.

TD suggested that the Code Communications document could be reviewed at next month's Workgroup meeting, and that this should remain as an Issue.

4. Any Other Business

4.1 Gas SO Incentives Rollover

PH drew attention to the fact that five of the existing Gas SO Incentive schemes are due to expire in March 2012, and that Ofgem will be holding a workshop to discuss their views for the incentive proposals on Wednesday 12 October 2011 after the Gas Operations Forum. Final Proposals might be expected towards the end of year (November time).

4.2 Erroneous Gemini Data – deterioration in data quality

RF highlighted that a deterioration in data quality had been experienced, related to erroneous Gemini data received from Xoserve in July, August and September, and gave examples. He would be raising his concerns at the Gas Operations Forum. CR indicated that his organisation had experienced similar issues and

that these had been raised with Xoserve. RJ will investigate the concerns raised and offer an update at the Gas Operations Forum

5. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

The next Transmission Workgroup meetings are scheduled as follows:

11:00 11 October 2011, at 31 Homer Road, Solihull B91 3LT (Issues Group)

10:00 03 November 2011, at ELEXON, 350 Euston Road, London NW1 3AW

10:00 01 December 2011, at ELEXON, 350 Euston Road, London NW1 3AW

Action Log – UNC Transmission Workgroup: 06 October 2011

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
TR 0801	04/08/11	1.3	Provide links to business plans for circulation or publication to the industry.	Transporters (All)	Closed